



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

The Outlook for America's Industrial Future

By W. L. SAUNDERS

Ingersoll-Rand Company, New York City

WHEN we think of William Penn we always think of Philadelphia. But just now, as one reviews events during the past four years, as we look forward to a future in which we draw the picture of a better world, there comes to us another and a broader significance in the life of Penn. This man, some two hundred and fifty years ago, stood for the very principles for which America has fought a world war—liberty, justice, fair play—"the reign of law, based upon the consent of the governed." In an age when a popular revolution had almost destroyed popular liberty; when such philosophers and leaders of thought as Locke preached that government should rest upon property; when all history and all experience decried the sovereignty of the people, William Penn boldly asserted man's capacity for self-government: his vision was one of human liberty and he went so far as to establish a colony founded upon liberty. Penn was noted for his success with the Indians,—and why? Is it not because of his sense of fair play, his recognition of the rights of others? He built up a good will, based upon justice,—in fact, his whole life teaches that it pays to follow the very antithesis of the Teutonic policy. His writings are full of hope for permanent peace, something about which we are talking very seriously just now. I rather think that this was the controlling influence that has led the President of the United States to go to the peace table. It is said that after Penn had concluded his famous treaty he solemnly laid the parchment on the ground in token that the soil was common to all people. Here we have the first suggestion looking to the freedom of the seas.

During the war we were frequently asked the question,—What is going to happen after the war? The question was a very difficult one to answer, because no one could tell when or how the war would end. The story is told of Marshal Joffre, that as he was getting into his automobile during his visit to this country an American said, "Oh, Mr. Joffre, just one more question, please.

When do you think that the war will end?" Turning to his chauffeur Joffre said, "Tell this gentleman when the war will end."

Early in 1915 I sat at a luncheon next to the chairman of the United States Steel Corporation. He told me that the war must and will stop within a year, "For," said he, "it is beyond the power of human endurance to keep up such a pace." About thirty days before the armistice was signed the president of the United States Steel Corporation told me that fighting would not stop till December 1919.

For several months after the war began there was scarcely a prominent authority in America who did not predict hard times for us; our industries and mines were working part time only, our finances were disturbed. In May 1915, no less an authority than Victor Morawetz, writing in the *New York Times*, said: "It seems unlikely that there will be a general revival of enterprise or expansion of business in the United States or a healthy or lasting increase of security values during the continuance of the war." Yet shortly following this prophesy there came to us the greatest period of prosperity in our history.

STRONG FINANCIAL CONDITION OF AMERICA

I am giving from the records of the past some thoughts that may pave the way for my own plunge into the future. Let us first think of the present. Surely America was never before in better condition to stand hard knocks. Our condition is like that of the trained athlete, prepared for the combat. We are a creditor nation now and a very large creditor nation too. Europe owes us about eight billions in bonded debt alone. Our banks have one-third of all the gold in the world, yet (and this is an element of strength for us as well) the banks of Europe have more gold in their vaults than they had when the war began. Our federal reserve system has been established. It provides a public reservoir in which reserves are held for use and concentration at points where they are most needed; by its privileges of rediscount money is kept liquid; through federal reserve notes credit is made elastic. The strength of this system is such that we might now without danger export much of our gold to enable other nations to maintain stable conditions of exchange.

At the close of our Civil War we had a bonded debt of three and

one-half billions. When peace is made we are likely to have a debt of twenty-five billions, eight or ten of which will be in the shape of foreign loans. Comparing our increased wealth, our population and our development in financial and industrial resources, it is apparent that we are in a stronger position now than we were after the Civil War. Everyone expected a collapse in industry then; inflation was high because of the issue of greenbacks, yet no crisis came. Business activity continued till 1873. A million soldiers were demobilized then and the industries absorbed them without shock. We shall dissolve an army now three or four times as large, but the country has grown in far greater proportions. It is interesting to note that wholesale prices fell some 30 per cent at the close of the Civil War. Though conditions now are not identical, yet there is every reason to expect a fall in prices of staple commodities in the near future. Food and fuel are likely to be exceptions because of the needs of Europe.

There is much fallacious teaching about the material loss incurred by war's destruction. In peace times nations increase in wealth in proportion to the productivity of the farms, the mines and the industries. In war time that which is produced and destroyed, as for instance munitions, must be subtracted from the annual increase of wealth. Some of the belligerents, such as France and Belgium, have probably gone backward, have grown poorer in material things because of actual destruction of property, but England has probably had only a diminished rate of increase of wealth because of the war; or, in other words, the normal increase has been somewhat retarded because much that has been produced has been destroyed. This, if true at all in the case of the United States, is true to a lesser degree, because of our late entrance into the war and the lesser proportion of goods destroyed. Except for the increased burden of taxation and conditions brought about by credit inflation, the ending of the war ends the burden of the war; the cost has been paid during the war.

We have witnessed the destruction of the prophetic but fallacious idea so generally held, that a world war must of necessity be a short one because of the great cost. We know that this war did not end because of lack of money. The money used did not come from a storage fund already on hand, but chiefly from goods pro-

duced daily while the war was going on. Our resources were mainly employed to build things that were promptly destroyed, hence while there was a great waste of energy and a loss of potential capacity to add to our capital, yet we are no worse off now so long as we retain our capacity to still produce useful goods. That capacity we have to an even larger degree than before the war.

It is plain that had America not entered the war we should have been industrially and financially richer. Whether we are richer because of the war than we should have been following our normal progress, it is impossible now to determine. We do know, however, that our industries have been enlarged on an unprecedented scale. Much of this took place before America entered the war and at a time when profits were high, so that a good deal of the plant increase has been written off. The tools and equipment purchased for war purposes are mostly standard and with some exceptions they may be used for general industrial purposes. The steel industry in particular has a large capacity in works and equipment. Much steel will be required throughout the world.

A BETTER LABOR SITUATION

As to labor, the situation is better than ever before because of a better understanding between employer and employe. We shall hear of strikes and rumors of strikes. They are likely to come, first through the process of readjustment, which has already begun in cutting off overtime. During the war, and partly because of conditions brought about by the war, industrial work generally has been put on an eight-hour basis. That is, the rate of wages has been so much per hour for eight hours' work. During the pressure for output, works have been run ten hours and more and labor has been paid extra time for this extra service. This means of course, that the income which labor has received has not only been an increased rate per hour but a still further increase in net earnings due to overtime.

As soon as the armistice was signed overtime was cut off, which means about 25 per cent reduction in the income which many workers had been receiving. This income was, of course, strictly speaking, a war income. Labor was pushed to do more work in many cases than conditions of human safety and comfort should warrant. If we are to agree that there is a period of fatigue, which

comes say after eight hours of labor, then it is not only inhuman but it is uneconomic to work beyond eight hours. Mr. Vanderlip, in a recent address, said that his plumber told him that he had been making \$400 a month during the war doing war labor; that this had been stopped and that he now expected the government to see to it that he should still make \$400 per month. Of course such an argument is fallacious and unreasonable—just as unreasonable as similar claims if made by employers that they built and equipped their works at the request of the government for war service and that now that the war is over they expect the government to keep their works going.

We have already heard of the just decision of the United States Steel Corporation to make no reduction now in labor prices, but to make a moderate reduction in the price of steel. Manufacturers have been making from 10 to 50 per cent profit. They can well afford to lop off some of this in the future and to do it without calling upon labor to share in the reduction. After substantial reductions have been made in profits, because the war is over and prices should fall, it is not unreasonable to suppose that labor will then be willing to do its part in meeting the situation.

It is a common error to suppose that low cost of labor means low cost of product. What is needed, and what we have to a large extent now, is effective labor—labor that produces in proportion to what it is paid. That effectiveness is so great that it has been estimated to be two or three times superior to the labor of Europe. The ending of the war and the bringing about of a surplus of labor, through the release of men from the army, through the cutting off of incompetent workers to give place to better ones, and through a relief of the pressure to produce a large output, are likely to increase the efficiency of labor per unit of product. This means that manufacturers can afford to make some reduction in prices to meet conditions, especially if there is to be, as is likely, a reduction in the cost of raw materials.

But the most wholesome and promising outlook of all is that capital has taken a new view of the labor situation. Instead of the old idea of master and slave, followed by that of owner and servant, we are now entering a period of brotherhood in industry. The employer is now striving to look at things from labor's point of view. He realizes that those who spend one-third of their lives

or more on the floor of his works should really have something to say about the conditions that exist there. We have seen of late the encouraging spectacle where employers of labor, through organizations and through boards of trade and chambers of commerce, have adopted resolutions of a conciliatory nature toward the workers. The most striking instance of this is a recent report of the Committee on Industrial Relations of that old Bourbon organization, the New York Chamber of Commerce. This committee reported, and the chamber unanimously adopted the statements that the chamber wishes to go on record as favoring close association of wage-earners, managers and capitalists in all large industrial establishments, the formation of representative committees for adjustment of disputes, and as advising that wage-earners, managers and capitalists be brought into direct contact with each other in solving labor problems.

If we agree that our industries are keyed up for service, that they are in condition to produce on a large scale, the question naturally arises,—who is going to buy the goods? It will not do to purchase only for stock. We must look for markets. Where are they and how are we to secure them?

In the first place, the war has produced a vacuum in the stocks of the world. So much of the product of industry has been turned to things that have been destroyed that little attention has been paid to producing and enlarging normal stocks of goods. Furthermore, there has been little activity in building operations, new construction, repair work, etc. Economists tell us that in times of peace the stocks of the world, such as steel, coal, oil, dry goods, boots and shoes, etc., are about equal to one year's supply. In other words, if production should stop, there would be enough on hand to supply the needs of the world for a year. If this is true, and of course it is only partly true, there is much work ahead of us in simply putting our house in order.

But the vision which the ending of the war presents to America is a broad and alluring one. There are not many great industrial nations in the world. America is one of the largest. The others, England, Germany, and to a lesser degree France and Italy, are either incapacitated or handicapped. America is free from damage to either her finances or her industries. America, through her entrance in the war, changed the sentiment of the world to-

ward the war from one of conquest and territorial acquisition to that of service, of justice and fair dealing. We went in to serve humanity, to see that the individual, as well as the nation, got its rights, not alone in its own country but throughout the world. This has established good will,—a thing which every business man knows is worth as much and even more than property. I have known of large concerns in business that have gradually gone down hill—some of them to bankruptcy—because they lost their good will. Good will is something which is not easily attained. It is seldom acquired except through a large period of service. Here we have a situation brought about by the war in which America's good will has been established, as it were, over night. We have seen this in many ways. Our men in arms are received with cheers everywhere, even in Germany; our President has been called the George Washington of the Czecho-Slovaks. All this means that the avenues of trade are open to us. How do we propose to take advantage of such a situation?

Let us be careful that we do nothing to mar this feeling of friendship and esteem, let us see to it that in trading with the world we seek to sell first what our customers need and want most and not what would bring us the largest margin of profit. This is a new spirit in trade. No nation of the world has ever followed it. The greatest industrial nation—England—with all her liberality, with all her civilization, and with all her power, has pushed British trade throughout the world with a spirit of profit and with little recognition of the higher virtues of consideration and co-operation with others. Germany, differing radically from England, has pushed trade by dishonest practices. Her course has been that of the brute. The money of the state has been used and the people of the state have paid for it, to push her products against all economic conditions, regardless of cost, for the purpose of making money through her banks and establishing business for her industries.

TRADE DEPENDENT UPON LARGE BANKING CONNECTIONS

It is a new idea, I say, but a very practical and paying idea, that America should seek to trade with the world in the spirit of service. We have seen how unpopular Great Britain has become because of her aggressive methods of trade. We have seen the

destruction of Germany because she did not play fair. We have the field open before us. We shall soon have a merchant marine sufficient to trade with the world. We know that the building up of our own natural resources during the past fifty years has been the means through which America has grown rich. Our time, energies and money have been so occupied at home that we have given little attention to foreign business. Now is our opportunity. South America alone is larger than the United States, is more undeveloped than we were fifty years ago. France, Belgium, Russia, have suffered to the extent of billions of dollars. We have an opportunity to restore them. We have a further opportunity to improve their harbors, to develop their natural resources, and to do exactly what we have already had experience with at home. To do this well calls for all that is best within us, morally and intellectually. To do it thoroughly means banking connections on a large scale. It means that we must go personally to foreign countries and get personal contact with the people there. We cannot expect to be paid in gold, because most of it is in America. We cannot expect to be fully paid in return goods, because the volume of trade should be largely one of export.

There is only one other way left for us and that is to seek and cultivate credit abroad through investment in foreign securities. In other words, we must build with the credit of the people whom we are serving and with our own money invested in their industries. This is not so difficult as it appears. When the war began only some three hundred thousand Americans were bondholders. Today the number has reached twenty million. The American people have been educated to buy bonds and securities. We must educate them still further by showing them that it is clearly in their own interest that America should do a world business.

President Wilson said to me but a short time ago,—“I am not so much concerned as to whether we shall have good business after the war. The thing that concerns me most is whether or not the American people will be able to stand that great prosperity which is in store for them.”